THE BEST OF BOTH WORLDS:

CASH VALUE AND DEATH BENEFIT

SUN PAR ACCUMULATOR

Enhanced early cash value access with long-term death benefit growth

Meet Heather

Heather, age 43, started her Canadian controlled private corporation three years ago. Having overcome the initial start-up challenges, she is now experiencing more stability.

At the last year end, her company's net income had doubled from the prior year and as a result, she feels comfortable committing to premiums of a permanent life insurance solution for her business. She is confident of the growth potential and expects a need for additional coverage later on as the business grows.

The challenge

Heather seeks an efficient plan that will enable her to invest in her business over the next few years and protect her business if she dies prematurely.

Heather has a couple of options to meet her goals. Her corporation can purchase non-registered investments or a permanent life insurance solution to meet her needs, or both.

If Heather chooses to have all the free cash flow invested in non-registered investments, she should consider the following:

- Taxes on investment income mean that the assets may grow at a much slower rate than within a life insurance policy which provides tax-preferred growth.
- Accessing cash from the investment portfolio may trigger significant capital gains tax, which could erode the asset values.
- Corporate taxes must be paid on any capital gains, if investments are liquidated on Heather's death.
- If Heather wants some of the assets to go to the estate, the after-tax value would be paid as a taxable dividend.

The solution

A corporate owned Sun Par Accumulator policy with Heather as the life insured and the corporation as the beneficiary.. It will have the paid-up additional insurance dividend option along with the guaranteed insurability benefit (GIB) rider. Accessing the early cash value may help her invest more in her business and potentially qualify for a tax deduction.

Upon review of the budget, Heather decides her company can afford $15,000 annually towards the solution. With this premium amount, the corporation can purchase a Sun Par Accumulator with the 20-Pay premium option with a coverage amount of $397,688 and GIB of $250,000. With Sun Par Accumulator, the following benefits can be enjoyed:

- **Enhanced early cash value access.** The cash value growth is **tax-preferred** and can be accessed by policy loan or by collateral assignment to a third party lender.
- **Long-term death benefit growth.** The death benefit has the potential to grow at the same time the value of the business is increasing and will be paid out **tax-free** to the beneficiary. Some or all of death benefit proceeds[1] create a credit to the capital dividend account (CDA) and an amount equal to the CDA can be paid as a tax-free capital dividend to the shareholder's estate.

[1] The total death benefit minus the policy's adjusted cost basis.

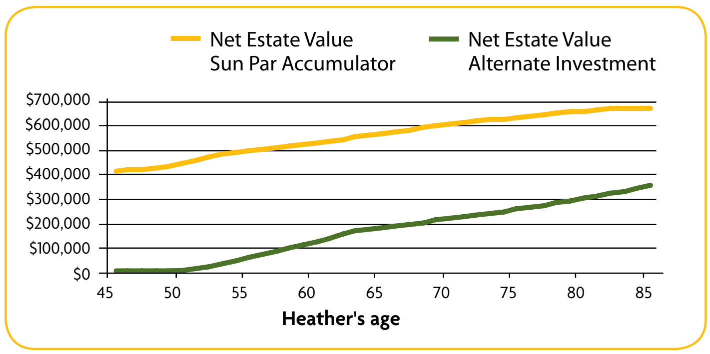
The result

Early cash value access coupled with long-term, tax-preferred growth of the death benefit.

Heather plans for the corporation to take the maximum level policy loan amount for five years and immediately apply the proceeds for business purposes each of the five years.

While living	At death
• A level policy loan amount from years 2-6 of **$12,639**. • Tax deductions may apply. • Heather can buy more life insurance coverage as the need grows by exercising the GIB rider.	• The net death benefit at Heather's age 85 is projected to be **$669,689.** • The proceeds create a credit to the capital dividend account.

The policy loan stream will not trigger a taxable gain as it is projected to remain below the adjusted cost basis.



Sun Par Accumulator allows Heather to invest in her business now and protect it in the future.

The above scenario is based on the current dividend scale interest rate -1%. It also assumes a policy loan rate of 5% and the interest is capitalized. The alternate investment uses a rate of return of 4%. Both assumptions are not guaranteed. The accumulated cash value in the life insurance policy is used as collateral for a loan. If the loan balance to cash value ratio exceeds the limit, the policy owner will need to pay down the loan to keep the policy in effect. Dividends are not guaranteed and may be higher or lower than shown here. Any sales strategy should not be used without a thorough review of all risks. Clients should consult their tax advisor before making any decisions about using this strategy. GIB elections can be taken until age 55.

Advisor information:

Life's brighter under the sun

Sun Life Financial

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